

REQUEST FOR INFORMATION NON-DISCRETIONARY REAL ESTATE CONSULTING SERVICES

Introduction and Purpose

The Maryland State Retirement Agency (the "Agency") is issuing this Request For Information ("RFI") for firms wishing to provide **Non-discretionary Real Estate Consulting Services to the Maryland State Retirement and Pension System (the "System")**.

It is the Agency's intention to choose one or more firms from this process to provide consulting services for the System's Real Estate Program. The Agency may (i) choose one or more firms to provide only one type of consulting services described in this RFI, (ii) choose one or more firms to provide multiple types of consulting services described in this RFI, or (iii) determine not to choose any firms to provide consulting services described in this RFI. It is expected that the likely contract start date will be on or around May 1, 2010.

The Board of Trustees for the System manages a diversified investment portfolio valued at approximately \$32 billion as of September 30, 2009 for the exclusive benefit of participants of the several retirement and pension systems for state employees, teachers and employees of participating municipalities. Please see Exhibit A for the System's asset allocation as of September 30, 2009.

Further information regarding the System is set forth in the System's Comprehensive Annual Financial Report, a copy of which is available on the Agency's website, <http://www.sra.state.md.us/>.

As of September 30, 2009, the System has roughly \$833 million invested in REITs, \$324 million in the direct real estate program and \$762 million in private funds. In addition, the System has approximately \$900 million committed to private real estate funds, which has not been drawn. Please see Exhibit B for a list of the System's Real Estate Investments.

Timeline and Submission Details

Date	Action
11/16/09	RFI is issued.
12/1/09 (4:00 PM)	Due date for questions relating to the RFI. All Questions relating to the RFI must be submitted via e-mail to InvestRE@sra.state.md.us .
12/8/09	Answers to questions will be posted to the Agency's website http://www.sra.state.md.us
12/22/09 (4:00 PM)	Responses to RFI need to be submitted in hard copy (address below) and electronic form to InvestRE@sra.state.md.us .

Staff will review submissions and contact those firms from which it desires additional information (e.g. interviews, possibly additional information, etc).

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If your firm wishes to respond to this RFI, then please return ten (10) hard copies and one electronic copy of the firm's response to the attached questionnaire by 4:00 pm EST, December 22, 2009 to the address written below. Please note that only one copy of the fee schedule should be sent in a separately marked envelope marked "Non-Discretionary Real Estate Consulting Services." The electronic submission should not contain a fee schedule.

Art Lynch, CFA
State Retirement Agency of Maryland
120 E. Baltimore Street, 16th Floor
Baltimore, MD 21202
InvestRE@sra.state.md.us

On the submission's cover page please provide the firm's name, primary contact person's name, phone and fax numbers, email address and mailing address.

Responding firms should give specific attention to the clear identification of those portions of its submission that it considers confidential, proprietary commercial information or trade secrets, and provide justification why such materials, upon request, should not be disclosed by the System under the Access to Public Records Act, Title 10, Subtitle 6, of the State Government Article of the Annotated Code of Maryland. A blanket statement declaring that the entire response is confidential is not sufficient.

All questions relating to the RFI should be submitted via email to InvestRE@sra.state.md.us. Firms should not try to contact the System's CIO, Investment Staff, Board of Trustees, System's Consultants or other Agency personnel to gain additional information regarding this RFI. Attempting to do so may result in the firm's disqualification.

Please note that the System will not be liable for any costs incurred with responding to this RFI. Also, the Agency reserves the right to evaluate submissions in its discretion. The Agency may decide to cancel the RFI at any time and reissue this or a similar request at a later date.

Minority Business Enterprises (MBEs) are encouraged to respond to this RFI.

Potential Scope of Services

A Real Estate Consultant may provide one or more of the following services:

1. Strategic Real Estate Consulting
 - a. Assist the CIO and Investment Staff in the development goals, strategy, and objectives for the Real Estate Program.
 - b. Prepare special analyses and/or research as requested by the Investment Staff to better define goals and objectives, monitor portfolio risk, model program cash flows/commitment pacing, or for other purposes relating to the Real Estate Program.

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- c. Appear as requested at Investment Committee and/ or Board of Trustees meetings or other meetings to (a) present research, analyses, written reports, and recommendations or (b) respond to questions relating to the Real Estate Program or industry.
- d. Provide other consulting services consistent with or required in connection with the Real Estate Program and its goals, strategy and objectives.
- e. Conduct and prepare comprehensive written research, analysis and advice on specific investment issues, or conduct special projects or other activities, as requested.
- f. Attend meetings with Investment Staff in order to provide advice and counsel on matters relating to the Real Estate Program as requested.
- g. Coordinate and communicate with the System, other System investment consultants and the managers of the funds and partnerships in the Program on an ongoing basis as required to ensure the effective and successful administration of the Real Estate Program.

2. Deal Sourcing and Due Diligence

It is expected that deals will be sourced by both the Real Estate Consultant and Investment Staff.

- a. Investment Screening: develop a structured process that will analyze the full universe of available investments, and efficiently identify those most appropriate for investment. This will include detailed analysis of prospective investments identified by Investment Staff.
- b. Identify New Opportunities: develop a proactive program to identify new investment opportunities for the System.
- c. Due Diligence: conduct due diligence on those prospective investments that the System selects for consideration. Prospective investments maybe sourced by the Consultant or Investment Staff.
- d. Recommendations: present written recommendations to the Investment Staff. The recommendations will include the full results of the due diligence, strategic considerations, and fit with the System's portfolio.
- e. Legal Negotiation: work with Investment Staff and legal counsel in the negotiation of contract terms and conditions.

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3. Monitoring of the Real Estate Portfolio

As of September 30, 2009, the System has roughly \$833 million invested in REITs, \$324 million in the direct real estate program and \$762 million in private funds. In addition, the Agency has approximately \$900 million committed to private real estate funds, which has not been drawn. Please see Exhibit B for a list of the System's Real Estate Investments.

- a. General Portfolio Monitoring: the Consultant will take responsibility for the timely reporting of key events that may affect the portfolio. This can include market changes, changes in management, or substantial reductions in portfolio value. This will be conducted through the monitoring of the media, personal contacts, and the systematic review of Managers' reports.
- b. Involvement with Managers: the Consultant will assist, where necessary, in actions to protect the interests of the System as an investor, and to ensure compliance by Managers with the terms of their contracts.
- c. Partnership Monitoring: assist Investment Staff in attending partnership annual meetings, and, where appropriate, serving on partnership advisory boards.
- d. Review and recommend course of action on all fund document amendments.

4. Database Management

The Consultant will develop and maintain a database that will, at a minimum, include the following information:

- a. Historical Data: all historical information on all cash flows, net asset values, unfunded commitments by fund, fee payments, cost basis, and return on each investment.
- b. Performance Data: including IRR and multiple calculations and measured against performance benchmarks.
- c. Classification Capabilities: an ability to review cash flows and performance data by individual investment, asset class and the total portfolio over quarterly periods.

5. Reporting

- a. Quarterly Performance Report: to include, at a minimum:
 - i. Allocation breakdown by geography, sector and industry
 - ii. Updates on each fund
 - iii. Listing of each fund by sector
 - iv. Date of commitment to each fund

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- v. Commitment amount to each fund
 - vi. Drawdown amounts by fund
 - vii. Outstanding commitment by fund
 - viii. Distribution amounts by fund
 - ix. Fund NAVs
 - x. Multiples by fund
 - xi. IRR of each fund
 - xii. Items v – xi aggregated for the total program
 - b. Monthly Report: to include:
 - i. Listing of each fund by sector
 - ii. Date of commitment to each fund
 - iii. Commitment amount to each fund
 - iv. Drawdown amounts by fund
 - v. Outstanding commitment by fund
 - vi. Items iii – v aggregated for the total program
 - c. Reconciliation with Custodian Bank: the Consultant will reconcile the quarterly and monthly report with the reports/records of the Agency's custodian bank for accuracy.
6. Ongoing Board of Trustees Education
- The Consultant may be asked to conduct trustee education workshops on specific issues designated by the System and/or recommended by the Consultant.
7. External Relations
- The Consultant may be required to support the Chief Investment Officer, the Investment Committee and/or the Board of Trustees through written and/or oral presentations at their meetings with legislative and executive branch staff and other parties as necessary.
8. Other
- a. The Consultant must be willing to act as a fiduciary to the System.
 - b. The Consultant must be willing to meet with the Investment Staff at least quarterly to review contract issues, to inform the Agency of new services/technologies, and to plan improvements in services.
 - c. The Consultant and its principal subcontractor(s), if any, performing the services described in this RFI will agree to provide access to the Agency or its representatives, the Legislative Auditor of the State of Maryland or other third parties identified for the purpose of performing any audits or reviews that are deemed necessary by the Agency.

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Questionnaire

- A. Organizational Background**
- B. Depth and Experience of Personnel**
- C. Client Coverage and References**
- D. Investment Consulting Services**
- E. Research Capabilities**
- F. Fees**

A. Organizational Background

1. Provide the following information with respect to the firm:
 - a. A brief history of the firm, including its year of organization, the ownership structure of the firm, including any parent, affiliated companies or joint venture, the percentage owned by current employees; and a list of all owners of at least 5% of the firm including individuals and other entities.
 - b. The location of the firm's headquarters and any branch offices. What is the number of staff in each office? What is the primary function in each office? Describe any significant developments in the firm that have occurred since January 1, 2005 (changes in ownership, personnel reorganization, etc.).
2. How is the firm expected to grow over the next five years?
3. Describe any anticipated changes in the firm's basic ownership structure or any other significant changes in the organization.
4. How many years has the firm been providing Real Estate Consulting Services?
5. Does the firm provide other services? Please list each type of service, its inception date, and a brief description of the service.
6. Provide a breakdown of the firm's revenues by source of business activity.
7. Is the firm, its parent or an affiliate a registered investment advisor with the SEC under the Investment Advisers Act of 1940? If not, what is its fiduciary classification (as the term is defined by the Employee Retirement Income Security Act of 1974 [ERISA])?
8. Since January 1, 2005, has the firm, or any officer or principal been involved in any financial issues, business litigation, regulatory or other legal proceedings or government investigation involving allegations of fraud, negligence, criminal activity or breach of fiduciary duty? If so, provide a description, explanation, and indicate the current status.
9. Describe the fiduciary or professional liability insurance the firm carries. List the insurance carriers supplying the coverage, and supply certificates evidencing the coverage.
10. In an appendix, please provide a copy of the firm's most recent audited financial statement and SAS 70. If these are not available, please provide an explanation.
11. In an appendix, provide a copy of the firm's Code of Ethics. Do the firm and its employees comply with the Code of Ethics and Standards of a professional association?
12. How are conflicts of interest managed, disclosed or prevented if the firm or its affiliates provides investment management services or brokerage to investment managers.

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13. Does the firm or any affiliate serve as an investment manager for clients? This includes fund of funds and discretionary accounts. If yes, then how does the firm avoid any conflicts of interest? How much of the firm's revenue is tied to these businesses? How do these businesses fit into the firm's growth plans going forward?
14. Is the firm or any of its owners, principals or affiliates affiliated with any placement agents?
15. Does the firm or members of the firm invest their money in the investments recommended to clients?
16. List all investment management firms from which the firm or any affiliate has received any compensation during the last five years.
17. Describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance the firm carries. List the insurance carriers supplying the coverage and supply certificates evidencing the coverage.
18. How does the firm evaluate the quality of its consulting services? Describe any benchmarks the firm has developed to evaluate its performance and the performance of its Primary Consultants.
19. What is the firm's competitive advantage in providing consulting services to the System?
20. In an appendix provide:
 - a. A copy of the firm's most recent ADV if applicable. If not applicable, then please explain.
 - b. Additional relevant information and company literature.

B. Depth and Experience of Personnel

1. Provide an organizational chart showing title, function, years of industry experience, years with the firm and location of all personnel in the firm providing Real Estate Consulting Services.
2. Identify the principals of the firm and designate which individuals, including research and systems support personnel, will be committed to the System's account. Include the length of experience in real estate consulting services, the highest educational degree each has attained, and professional certifications. In an appendix, provide a brief biography of all the individuals listed. Where are these people located? Please discuss their workload with this account and their other responsibilities. How much of their time will be dedicated to this account versus their other responsibilities? Please include a list of articles published by such individuals related to real estate investing. Selected articles may be included in the appendix.
3. What qualifications and experience does the firm look for when hiring staff? Please provide information for junior and senior staff members.
4. Explain how the team dedicated to the System's account would function, including Primary Consultant(s), back up, quality control, research, and support services.
5. What are the procedures for addressing the System's issues when the Primary Consultant(s) or other assigned personnel are traveling or unavailable?

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6. Describe the firm's back-up procedures in the event the key personnel assigned to the System should leave the firm. If applicable, give an example of a situation where this procedure has been utilized.
7. What is the turnover of professional staff (senior management and consulting personnel) over the past five years as follows:

Person	Position	Date Left	Reason for leaving	Replace By

8. What additions have been made to the team over the past five years? Why were these hires made?
9. Describe the firm's compensation arrangements for senior management and the Primary Consultant, including any incentive and other bonuses and how and for what they are awarded.
10. Does staff participate in equity ownership? If ownership is not available, is there a specific arrangement for sharing in the profits earned by the enterprise? What specific incentives are employed to ensure key professionals do not leave the firm?

C. Client Coverage and References

1. What is the composition of the firm's client base, including non-investor clients? If the firm's investor client base is heavily weighted toward any particular type of investor, please provide an explanation. For your firm's real estate consulting services group please provide the following information:

For the following:	Number of Discretionary Accounts	Number of Non-Discretionary Accounts	Number of Accounts/ Relationships	Amount for Discretionary Accounts	Amount for Non-Discretionary Accounts	Total Assets
2005						
2006						
2007						
2008						
Current						

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For the following:	Corporate		Public Plans		Taft-Hartley Assets		Endowments & Foundations	
	Number of Accounts	Amount in Accounts	Number of Accounts	Amount in Accounts	Number of Accounts	Amount in Accounts	Number of Accounts	Amount in Accounts
2005								
2006								
2007								
2008								
Current								

2. Provide a list of five (5) largest clients for which you provide real estate consulting services including name, contact, telephone number, asset values, number of years the client has retained your firm and the product(s) or service(s) the client uses. In addition, include all of this information for your five (5) largest public fund clients. The Agency may contact any of these clients as references.
3. Please provide a list of clients gained or lost during the past five (5) years including the client's name, date of hiring/termination, size of the fund and reason for hiring/termination.
4. Comment on the firm's stability in client base over the past five years. How have the number of clients and amount under management changed? Please provide this information for all of the firm's businesses and also for real estate consulting services. Please fill in the following chart. How does the firm expect consultant responsibilities to change in the future?

	12/31/2005	12/31/2006	12/31/2007	12/31/2008	Current
Assets under management (AUM)					
Number of Clients					
Number of Consultants					
AUM to Consultant ratio					
Client to Consultant ratio					

D. Investment Consulting Services

Provide a detailed description of the overall real estate consulting services being offered. Please include:

1. Please provide your firm's view of the current real estate market.
2. Discuss the steps the firm would take to analyze the System's current Real Estate Program.
3. Please describe how you would work with our plan to understand how real estate would fit within the System's total plan assets. What types of investment mix would you recommend for our Plan? What are your thoughts regarding the following:

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- i. Advisory board seats
 - ii. Size of commitments
 - iii. Types of investments
 - iv. Benchmarks
 - v. International investments
 - vi. Leverage
 - vii. Co-investments
 - viii. Debt vs. equity investments
 - ix. Secondaries
 - x. Fund of funds
 - xi. Tactical vs. strategic
 - xii. Fund investments
 - xiii. REITs
 - xiv. Direct investments
4. What types of real estate consulting services (due diligence, monitoring, comprehensive, etc.) do you already provide to similar plans?
 5. Discuss the firm's experience and capabilities for providing advice on establishing Real Estate investment policy and guidelines.
 6. Describe the different methodologies, measures and sources of data for calculating, analyzing and evaluating clients' real estate performance. What benchmarks and databases are available? Which do you prefer and why?
 7. List the overall performance for all the firm's real estate clients for three, five, seven and ten- year periods ending June 30, 2009. Include percentile charts of performance relative to the universe. It is not necessary to identify clients by name.
 8. Does the firm have pension fund clients with international real estate investments? Discuss the firm's overall experience and expertise in international real estate investments.
 9. Describe the firm's process for the evaluation and selection of real estate investments for a client, addressing the following items:
 - i. Deal sourcing
 - ii. Due diligence:
 1. Please provide a thorough description of your due diligence process, addressing investment criteria, research sources, approval process and any other relevant steps in your process. Include a description of the qualitative and quantitative factors used in assessing the managers. How to you verify the information that the manager gives you? How are multiple managers with similar investment strategies evaluated? Are potential managers shown in a tiered format to the client with an explanation of why certain managers ranked ahead of others? How are investments approved by the firm? Is there an investment committee? If yes, then please identify members of the investment committee. Provide their resumes in the appendix.
 2. In an appendix, provide a sample due diligence report and a sample recommendation of a recent investment. Include any relevant materials, checklists, questionnaires, etc. you use during the normal course of the process.

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3. Please discuss how you would conduct / handle due diligence for special requests by the System.
- iii. How are different investment opportunities allocated among clients with similar strategies? Do certain clients receive priority treatment? Has the firm had problems with allocation issues in the past? Does the firm report to clients on investment allocation?
10. With regards to closing on transactions how involved is your firm? Will your firm be willing to participate in conference calls to discuss fund terms with legal counsel?
11. Please describe the firm's process and capabilities in negotiating investment terms. Describe examples where you have achieved better fees or changes to key terms for clients.
12. Does the firm maintain a database of real estate managers? How many managers are contained in the database? Please categorize the managers by geography and type of investing. How often is the database updated? How many times a year do you meet with managers? What type of information is tracked?
13. Describe the firm's experience and capabilities in analyzing and monitoring small and emerging funds, including women and minority owned firms.
14. Please discuss the issue of access to Real Estate funds. What is your record for placing client funds in top quartile funds? What help can you offer in gaining access to these funds?
15. Please provide a list of funds that your firm has recommended over the past 5 years. Please show returns and investment multiples since inception. Please show funds by geography and/or investment type.
16. Does the firm have experience working with direct real estate investments? Does the Firm have experience in acquiring, managing, financing and disposing of these types of assets? Please describe the firm's involvement in these activities including examples.
17. In an appendix, please provide a sample of the firm's client reporting capabilities. Are the reports compiled internally or externally? How are returns calculated? Are returns calculated to satisfy AIMR guidelines? Please discuss any areas where you are looking to provide capabilities in the future and when they will be available.
18. What types of cash flow modeling and reporting does your firm do for client's projected cash flows, distributions and future commitments? What assumptions go into these models? Please provide an example in the appendix.
19. What are the firm's thoughts on monitoring risk in various real estate investments? How are these risks monitored by the firm?
20. In addition to real estate consulting capabilities, please describe your firm's capabilities and experience with energy, timber and infrastructure funds.

E. Research Capabilities

Provide a detailed description of research capabilities.

1. Outline the process for monitoring and reporting on market trends. Describe the capabilities for reporting and tracking international trends and influences.
2. Describe the internal structure and organization of the firm's research department. (If no separate department exists, then describe how this function is structured).

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3. What percent of the firm's revenues are annually reinvested in the firm's research function?
4. Describe the manner in which internal and external resources and sources of information are used in the research process.
5. What research and analytical resources (including databases) does the firm possess that the firm would be willing to provide to the System. Please attach one of the firm's sample research reports in the appendix. Provide a listing of research published during 2008 / 2009, providing the title of research, date of issue, author and single line description of subject.
6. Describe the services that the firm provides through the Internet. Please include a description of any reports of other information that would be available to the System on-line.

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F. Fees

Please complete the following fee schedule and send only one copy in a separately envelope marked "Non-Discretionary Real Estate Consulting Services"). Please note the fee schedule should not be submitted electronically. Please include an all-inclusive flat fee for each year of the contract, as well as a blended hourly rate by year. Fees should include all consultant travel and services. Please inform us if a government rate is offered, and whether the fees are negotiable. Please inform us if any additional fees are anticipated outside of the services proposed.

	Flat Fee	Blended Hourly Rate
Year 1		
Year 2		
Year 3		
Year 4		
Year 5		
Year 6 (optional extension)		
Year 7 (optional extension)		

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Exhibit A

System's Asset Allocation as of September 30, 2009

Asset Class	Actual	Strategic Target (effective January 1, 2010)
Public Equities	55.4%	36.0%
Fixed Income	18.1%	15.0%
Debt Related Strategies	1.3%	5.0%
Real Return	7.7%	10.0%
Real estate	3.4%	12.0%
Real Estate	6.0%	10.0%
Absolute Return	2.4%	10.0%
Cash	5.5%	2.0%
TOTAL ASSETS	100.0%	100.0%

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Exhibit B

System's Real Estate Investments as of September 30, 2009

LaSalle Real Estate Securities, Inc. (REIT Manager)
Morgan Stanley Investment Management (REIT manager)
LaSalle Investment Management (manages direct real estate program)
JP Morgan Strategic Partners Fund
Lubert Adler Real Estate Fund III
Chesapeake Maryland LP (Alex. Brown Realty, Inc.)
ING Clarion Partners Lion Industrial Trust
CBRE Strategic Partners UK III
Secured Capital Japan Real Estate Partners Asia, LP
CBRE Strategic Partners Europe III
JER Europe Fund III
JER Real Estate Partners Fund IV
PRISA II
CBRE Strategic Partners U.S. Value 5, LP
MGPA Asia Fund III
GI Partners Fund III
Rockwood Capital Real Estate Partners Fund VIII, LP
Frogmore Real Estate Partners II, LP
Secured Capital Japan Real Estate Partners IV Fund
Lubert Adler Fund VI
Starwood Capital Debt Fund II
Starwood Capital Global Hospitality Fund II
Realty Associates Fund IX